

INNOCENCE PROJECT NEW ORLEANS
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/8/10

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Innocence Project New Orleans

We have audited the accompanying statement of financial position of **Innocence Project New Orleans (IPNO)** (a nonprofit organization) as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **IPNO's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **IPNO** as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Innocence Project New Orleans
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In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2010 on our consideration of IPNO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of IPNO taken as a whole. The accompanying schedules of functional expenses and grant revenues and expenditures for the year ended December 31, 2009, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2010

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

Cash	\$ 10,867
Employee advances	2,622
Due from LJC (NOTE 8)	6,100
Other receivables	7,825
Prepaid rent	3,500
Security deposit	3,500
Property and equipment, net (NOTE 7)	<u>199,065</u>
 Total assets	 <u>\$233,479</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 1,680
Accrued liabilities	17,629
Funds held for VOTE (NOTE 8)	<u>58,429</u>
 Total liabilities	 <u>77,738</u>
 Net Assets:	
Unrestricted (NOTE 2)	148,905
Temporarily restricted (NOTE 2)	<u>6,836</u>
 Total net assets	 <u>155,741</u>
 Total liabilities and net assets	 <u>\$233,479</u>

The accompanying notes are an integral part of these financial statements.

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUES:			
Contributions	\$ 33,261	\$ -0-	\$ 33,261
Grants (NOTE 6)	-0-	754,304	754,304
Other income	1,311	-0-	1,311
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>747,468</u>	<u>(747,468)</u>	<u>-0-</u>
Total support and revenues	<u>782,040</u>	<u>6,836</u>	<u>788,876</u>
EXPENSES:			
Program services	743,443	-0-	743,443
Supporting services:			
Management and general	102,152	-0-	102,152
Fundraising	<u>24,104</u>	<u>-0-</u>	<u>24,104</u>
Total expenses	<u>869,699</u>	<u>-0-</u>	<u>869,699</u>
Changes in net assets	(87,659)	6,836	(80,823)
Net assets:			
Beginning of year	<u>236,564</u>	<u>-0-</u>	<u>236,564</u>
End of year	<u>\$148,905</u>	<u>\$ 6,836</u>	<u>\$155,741</u>

The accompanying notes are an integral part of these financial statements.

INNOCENCE PROJECT NEW ORLEANS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

Changes in net assets	\$(80,823)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	11,504
Increase in employee advances	(265)
Decrease in due from LJC	31,759
Increase in other receivables	(2,240)
Increase in prepaid rent	(3,500)
Decrease in accounts payable	(2,145)
Decrease in accrued liabilities	(6,541)
Decrease in deferred revenue	(33,656)
Increase in funds held for VOTE	<u>58,429</u>
Net cash used in operating activities	<u>(27,478)</u>

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of property and equipment	<u>(39,827)</u>
Net cash used in investing activities	<u>(39,827)</u>
Net decrease in cash	(67,305)
Cash at beginning of year	<u>78,172</u>
Cash at the end of year	<u>\$ 10,867</u>

The accompanying notes are an integral part of these financial statements.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION:

Innocence Project New Orleans (IPNO) is a 501(c)(3) nonprofit organization that represents innocent prisoners serving life sentences in Louisiana and Mississippi and assists them with their transition into the free world upon their release.

IPNO was incorporated on April 27, 2000 pursuant to the provisions of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 - 12:269 (1950 as amended).

IPNO offers and provides the following programs and services:

- Case Review and Representation
- Education/Public Outreach and Policy Reform Program
- Exonerree Advocacy Program

Program services provided by **IPNO** are funded primarily by grants from the following organizations:

- Louisiana Public Defender Board
- Ford Foundation
- Louisiana Bar Foundation
- Mississippi Bar Foundation
- Equal Justice Works
- Public Welfare Foundation
- Stanford Public Interest Law Foundation

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

IPNO is a nonprofit organization whose financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

In accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 117 (now codified in FASB ASC 958, *Not-for-Profit Entities*) which establishes standards for external financial reporting by not-for-profit organizations, IPNO classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted and permanently restricted net assets according to externally (donor) imposed restrictions.

A description of three net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of IPNO are included in this category. IPNO has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of IPNO and, therefore, IPNO's policy is to record these net assets as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income, and grants and contributions for which restrictions have not been met.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Basis of Reporting, Continued

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized in accordance with donor imposed restrictions.

At December 31, 2009, **IPNO** did not have any permanently restricted net assets.

Furniture and Equipment

Furniture and equipment of **IPNO** are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures greater than \$1,000 that significantly extend the useful life of an asset are capitalized.

Depreciation of buildings is provided using the straight-line method over an estimated useful life of 30 years. Depreciation of equipment is provided using the double-declining balance method over an estimated useful life of 3-5 years.

Revenue Recognition

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any restrictions.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Revenue Recognition, Continued

All restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among IPNO's programs.

Cash Equivalents

For purposes of the Statement of Cash Flows, IPNO considers all investments purchased with an original maturity of three months or less to be cash equivalents. IPNO had no cash equivalents at December 31, 2009.

Income Taxes

IPNO is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Therefore, no provision for income taxes is made in the accompanying financial statements. Should IPNO's tax-exempt status be challenged in the future, IPNO's 2007, 2008 and 2009 tax years are open for examination by the IRS.

Date of Management's Review of Subsequent Events

Management has evaluated subsequent events through November 17, 2010, the date which the financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date requiring recognition or disclosure.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - ECONOMIC DEPENDENCY:

The primary sources of revenues for **IPNO** are grants and contributions provided through various funding agencies. The continued success of **IPNO** is dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

IPNO maintains a cash balance at a financial institution. The account is insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2009, **IPNO** had no uninsured cash balances.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of all significant financial statement amounts have been determined by **IPNO** using available market information and appropriate valuation methodologies. **IPNO** considers the carrying amounts of cash to be at fair value.

NOTE 6 - GRANTS:

IPNO received grant funding from the following sources during the year ended December 31, 2009.

Grants

Foundations	\$305,845
Other nonprofits	40,023
State of Louisiana	<u>408,436</u>
Total grants	<u>\$754,304</u>

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - PROPERTY AND EQUIPMENT:

At December 31, 2009, property and equipment consisted of the following:

Land	\$ 32,504
Building	167,633
Computers	5,693
Furniture and equipment	<u>16,015</u>
	221,845
Less: Accumulated depreciation	<u>(22,780)</u>
Total	<u>\$199,065</u>

Included in property and equipment is a building purchased in 2008 for Resurrection After Exoneration (RAE) under a restricted grant received in 2007. The restrictions of the grant stipulate that the building may only be used as residential accommodation for exonerees and other former long term prisoners, and may not be transferred to any for-profit making entity or used as collateral for any for-profit business enterprise. The building is to remain the property of IPNO until such time as RAE is able to fully fund the operation and maintenance of the building upon which IPNO will transfer the building to RAE.

NOTE 8 - DUE FROM LJC AND FUNDS HELD FOR VOTE:

During 2009, IPNO acted as an intermediary helping donors make contributions to its affiliates, Louisiana Justice Coalition (LJC) and Voice of the Ex-offender (VOTE), while these entities worked on achieving their 501(c)(3) status. IPNO did not record contributions when they received the assets, nor did they make contributions or record expenses when they disbursed the assets to or for LJC or VOTE.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - DUE FROM LJC AND FUNDS HELD FOR VOTE, CONTINUED:

At December 31, 2009, IPNO had amounts due from LJC as a result of funds expended on its behalf in excess of funds received. At December 31, 2009 amounts due from LJC totaled \$6,100 while funds held for VOTE totaled \$58,429.

NOTE 9 - HURRICANE KATRINA RELATED EXPENSES:

For the year ended December 31, 2009, Hurricane Katrina related expenses consisted of the following:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Housing assistance	\$ 600	\$ 400	\$1,000
Travel - displaced staff	<u>1,054</u>	<u>702</u>	<u>1,756</u>
	<u>\$1,654</u>	<u>\$1,102</u>	<u>\$2,756</u>

NOTE 10 - LEASE COMMITMENTS:

IPNO occupies office space under a 3-year noncancellable operating lease that commenced September 1, 2008. Rent expense is \$3,500 per month.

IPNO also leases a copier under a 5-year operating lease that commenced October 2, 2008. Rent expense for the copier is \$206 per month.

INNOCENCE PROJECT NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - LEASE COMMITMENTS, CONTINUED:

The following is a schedule of future minimum rental payments under the above operating leases as of December 31, 2009:

<u>Year ending</u> <u>December 31st</u>	<u>Amount</u>
2010	\$44,468
2011	30,468
2012	2,468
2013	<u>1,851</u>
	<u>\$ 79,255</u>

SUPPLEMENTARY INFORMATION

SCHEDULE I

**INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Services	Supporting Services		Total
		Fundraising	Management and General	
Exonoree assistance	\$ 41,796	\$ -0-	\$ -0-	\$ 41,796
Salaries and wages	434,517	15,000	15,000	464,517
Insurance	6,180	-0-	500	6,680
Employee benefits	32,302	1,050	1,050	34,402
Payroll taxes	32,765	1,148	1,147	35,060
Filing fees	3,235	-0-	-0-	3,235
Professional fees	-0-	-0-	49,185	49,185
DNA testing	10,867	-0-	-0-	10,867
Jesuit Volunteer Corps fees	2,725	-0-	-0-	2,725
Temporary personnel	4,100	-0-	-0-	4,100
Katrina related expenses	1,654	-0-	1,102	2,756
Office operations	22,025	-0-	11,859	33,884
Telecommunications	5,416	-0-	956	6,372
Postage and delivery	3,752	1,073	1,608	6,433
Printing and duplicating	3,417	5,833	1,395	10,645
Books and publications	602	-0-	-0-	602
Occupancy	86,488	-0-	14,080	100,568
Repairs and maintenance	-0-	-0-	651	651
Depreciation	10,676	-0-	828	11,504
Travel	30,512	-0-	-0-	30,512
Meetings/conferences/events	4,213	-0-	-0-	4,213
Membership dues	560	-0-	-0-	560
Staff development	5,641	-0-	-0-	5,641
Miscellaneous expenses	-0-	-0-	2,791	2,791
Total expenses	\$ 743,443	\$ 24,104	\$ 102,152	\$ 869,699

Miscellaneous expenses

See Independent Auditors' Report on Supplementary Information.

SCHEDULE II

INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF GRANT REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

	LA Public Defender Board	LA Bar Foundation	MS Bar Foundation	Ford Foundation	Equal Justice Works	Reprive	Stanford Public Interest Law Fdn	Public Welfare Foundation	Total
REVENUES:									
Temporarily restricted grants	\$ 408,436	\$ 85,000	\$ 62,504	\$ 109,386	\$ 40,625	\$ 40,023	\$ 4,587	\$ 3,743	\$ 754,304
	<u>408,436</u>	<u>85,000</u>	<u>62,504</u>	<u>109,386</u>	<u>40,625</u>	<u>40,023</u>	<u>4,587</u>	<u>3,743</u>	<u>754,304</u>
EXPENSES:									
Exonoree assistance	\$ 67	\$ 17	\$ -0-	\$ 2,841	\$ -0-	\$ 2,404	\$ (1,000)	\$ -0-	\$ 4,863
Salaries and wages	216,136	59,847	47,500	71,800	34,412	-0-	2,274	-0-	431,969
Insurance	3,012	-0-	-0-	2,356	-0-	-0-	-0-	-0-	5,368
Employee benefits	14,691	2,927	1,945	3,727	3,416	-0-	2,754	649	30,109
Payroll taxes	16,490	4,566	3,627	5,435	2,625	-0-	174	-0-	32,917
Filing fees	800	-0-	-8-	-0-	-0-	-0-	-0-	-0-	808
Professional fees	45,795	1,830	-0-	1,500	-0-	-0-	-0-	900	50,025
DNA testing	4,528	355	-0-	2,082	-0-	-0-	-0-	-0-	6,965
Temporary personnel	100	-0-	-0-	-0-	-0-	-0-	-0-	-0-	100
Office operations	20,850	1,944	-0-	616	-0-	-0-	-0-	285	23,695
Telecommunications	5,043	-0-	-0-	-0-	-0-	-0-	-0-	50	5,093
Postage and delivery	883	1,290	11	8	-0-	-0-	-0-	5	2,197
Printing and duplicating	2,997	351	340	14	-0-	-0-	-0-	75	3,777
Books and publications	446	-0-	-0-	-0-	-0-	-0-	-0-	136	582
Occupancy	65,097	8,801	-0-	15,902	-0-	-0-	-0-	-0-	89,800
Repairs and maintenance	528	-0-	-0-	-0-	-0-	-0-	-0-	-0-	528
Travel	9,373	2,822	1,627	2,564	-0-	-0-	385	373	17,144
Meetings/conferences/events	250	150	-0-	-0-	172	-0-	-0-	-0-	572
Membership dues	-0-	-0-	310	-0-	-0-	-0-	-0-	250	560
Staff development	985	-0-	300	541	-0-	-0-	-0-	-0-	1,826
Miscellaneous expenses	365	100	-0-	-0-	-0-	-0-	-0-	486	951
Total Expenses	<u>408,436</u>	<u>85,000</u>	<u>55,668</u>	<u>109,386</u>	<u>40,625</u>	<u>2,404</u>	<u>4,587</u>	<u>3,743</u>	<u>709,849</u>
CAPITAL EXPENDITURES:									
RAE building improvements	-0-	-0-	-0-	-0-	-0-	37,619	-0-	-0-	37,619
Net assets released from restrictions	<u>408,436</u>	<u>85,000</u>	<u>55,668</u>	<u>109,386</u>	<u>40,625</u>	<u>40,023</u>	<u>4,587</u>	<u>3,743</u>	<u>747,468</u>
Temporarily restricted net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,836</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,836</u>

See Independent Auditors' Report on Supplementary Information.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Innocence Project New Orleans
New Orleans, Louisiana

We have audited the financial statements of the **Innocence Project New Orleans (IPNO)** (a nonprofit organization) as of and for the year ended December 31, 2009, and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **IPNO's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **IPNO's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **IPNO's** internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial, reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IPNO's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings as item 2009-01.

We noted certain other matters that we reported to management of IPNO in a separate letter dated November 17, 2010:

IPNO's response to the findings identified in our audit are described in the attached letter from management. We did not audit IPNO's response and, accordingly, we express no opinion on it.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2010

INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2009

Section I - Summary of Independent Auditors' Results

- A. The type of report issued on the financial statements: **unqualified opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **none reported** material weaknesses: **no.**
- C. Noncompliance which is material to the financial statements: **no.**
- D. Significant deficiencies in internal control over major programs: **not applicable.** material weaknesses: **not applicable.**
- E. The type of report issued on compliance for major programs: **not applicable.**
- F. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **not applicable.**
- G. Major programs: **not applicable.**
- H. Dollar threshold used to distinguish between Type A and Type B programs: **not applicable.**
- I. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **not applicable.**
- J. A management letter was issued: **yes.**

**INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Section II - Findings Relating to the Financial Statements Reported
In Accordance with Government Auditing Standards**

2009-01 - Submission of Audit Report

Criteria

LSA-RS 24:513(A)(5)(I) requires audit reports to be completed and submitted to the State of Louisiana Legislative Auditor within six (6) months after year end, unless the Louisiana Legislative Audit Advisory Council approves an extension request, based only on a natural disaster, to file the audit report with the Louisiana Legislative Auditor by a specific date.

Condition

The December 31, 2009 audited financial statements were not submitted to the Legislative Auditor by the statutory due date of June 30, 2010. The Legislative Auditor has approved an extension of time for IPNO to file its annual December 31, 2009 financial report by no later than November 30, 2010. IPNO was granted an extension for circumstances other than a natural disaster.

Effect

An audit report filed with an approved extension from the Legislative Auditor after the six (6) months time frame for any reason other than for a natural disaster is a violation of the State audit completion and submission law.

Cause

IPNO's financial statements were not completed in a timely manner.

Recommendation

We recommend IPNO review its financial reporting procedures to ensure that audit engagements are submitted to the State of Louisiana Legislative Auditor within the required time frame.

INNOCENCE PROJECT NEW ORLEANS
SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2009

Section III - Internal Control and Compliance
Material to Federal Awards

Not applicable.

**INNOCENCE PROJECT NEW ORLEANS
NEW ORLEANS, LOUISIANA**

EXIT CONFERENCE

The financial statements and related reports were discussed at an exit conference held on November 29, 2010 with management of IPNO. Those that participated in the discussions are as follows:

INNOCENCE PROJECT NEW ORLEANS

Ms. Emily Maw	-- Director
Ms. Jené O'Keefe-Trigg	-- Communications & Development Director
Ms. Jane Legendre	-- Finance Manager

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Alcide Tervalon, Jr., CPA	-- Partner
Ms. Sherina Lewis, CPA	-- Manager
Mr. Alcide Tervalon, III, MBA	-- Senior Accountant



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
Innocence Project New Orleans

In planning and performing our audit of the financial statements of **Innocence Project New Orleans (IPNO)** for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **IPNO** internal control. Accordingly, we do not express an opinion on the effectiveness of **IPNO's** internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated November 17, 2010, on the financial statements of **IPNO**.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with **IPNO's** management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

We wish to thank the Executive Director and Finance Manager for their support and assistance during our audit.

This report is intended solely for the information and use of management, the Board of Directors, and others within IPNO and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

November 17, 2010

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR COMMENTS

ORGANIZATIONAL STRUCTURE

Condition

In the course of obtaining an understanding of the design and implementation of internal controls, we became aware of an apparent lack of segregation of duties over accounting responsibilities, particularly with respect to cash. Due to the small size of the organization, IPNO Finance Manager is charged with virtually all the accounting responsibilities for IPNO including:

- Approving disbursements and signing checks,
- Making deposits,
- Maintaining custody over IPNO corporate debit card, and
- Reconciling the bank statements to the general ledger.

Without adequate segregation of duties over cash functions, the organization is vulnerable to misappropriation of assets or the possibility of errors or fraud going undetected.

Recommendation

IPNO should establish best practices that allow for adequate segregation of duties with respect to controls over cash. Best practices should include:

- Separation of responsibilities for receiving or depositing cash from the recording of cash receipts to the general ledger;
- Separation of responsibilities for signing and approving checks from the recording of cash disbursements to the general ledger;
- Separation of custody of IPNO corporate debit card from the payment and approval process; and
- Separation of the cash receipt and disbursement functions from the reconciliation of bank statements to the general ledger.

This situation also dictates that the Director and Board of Directors remain involved in the financial affairs of IPNO to provide the oversight and independent review functions necessary to effectively monitor IPNO operations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR COMMENTS

EXPENSE REIMBURSEMENTS

Condition

While testing cash disbursements, we noted five of sixty-eight items tested were electronic funds transfers for which there was little or no documentation supporting the disbursements (i.e., receipts, invoices, statements). In addition, many of these items had been coded to miscellaneous expense in the general ledger. Unsupported expense reimbursements may result in reimbursement of disallowed expenses or misappropriation of assets due to fraudulent disbursements.

Recommendation

Management should implement and enforce a policy requiring expense reimbursement forms to include adequate documentation supporting the disbursement (i.e., receipts, invoices, statements) prior to employees receiving reimbursement. In addition, all expense reimbursements should be approved by management prior to disbursement then retained in the files for documentation purposes.

PAYROLL

Condition

As many salary approvals for new hires and pay increases are obtained by either verbal confirmation or email, documentation of salary approvals could not be located in the employee files for two of the seven employees selected for testwork. In addition, no timesheets were available for one of the hourly employees tested. By not maintaining adequate records of employee pay rates and hours worked, management risks paying employees at the wrong rate or for the wrong number of hours worked.

Recommendation

All salary approvals should be documented in writing and placed in the personnel files immediately after the approvals are obtained. In addition, management should implement a timekeeping system for hourly employees whereby employees submit timesheets at the end of each time period for approval by management.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR COMMENTS

FUNDS HELD FOR OTHERS

Condition

In performing our audit procedures over grant revenue, we noted approximately \$58,000 in grants received for Voice of the Ex-Offender (VOTE) included in grant revenue for **IPNO**. We also noted that grants and contributions received on behalf of **IPNO** affiliates were recorded as grants and contributions to **IPNO** and later adjusted to reflect a liability to the affiliates. This method of accounting for grants and contributions poses the risk of grants and contributions being improperly included as revenues for **IPNO**, rather than as liabilities to its affiliates.

Recommendation

To ensure that grants and contributions are accurately recorded for **IPNO** and its affiliates, funds received for each **IPNO** affiliates should be recorded in the Funds Held for Others account on a consistent basis. In addition, management should perform a periodic reconciliation of grants and contributions received for **IPNO** as well as for each of **IPNO** affiliates where **IPNO** acts as intermediary.

ALLOCATION OF FUNCTIONAL EXPENSES

Condition

We noted in our review of the schedule of functional expenses that the allocation of expenses had not been reviewed or updated in several years. Since operations have changed significantly since the last evaluation of the allocation of functional expenses, the allocation of costs to program services and supporting services may be different from the percentages established in prior years.

Recommendation

Management should review the allocation of expenses among its functional categories and update its allocation methods as necessary. Certain formulas and procedures used to allocate costs among functions can be refined to better reflect the identifiable direct nature of some costs.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

CURRENT YEAR COMMENTS

ACCESS TO ACCOUNTING RECORDS AND DATA

Condition

During fieldwork we noted that vendor files were maintained in unlocked file cabinets making it relatively easy for unauthorized individuals to access accounting records and data. While physical access to some accounting data is restricted, proper internal control procedures call for more tightly controlled access to accounting files and records than exists at present. Unrestricted access to the files may result in unauthorized individuals obtaining confidential personnel or financial information, resulting in misappropriation of assets or fraud.

Recommendation

Physical access to all accounting records and confidential personnel or financial information should be restricted to only those individuals requiring access to the data.

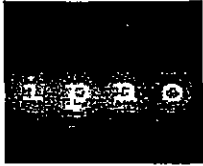
ACCOUNTING MANUAL

Condition

IPNO does not have a formal accounting manual documenting the procedures for fiscal operations. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system.

Recommendation

We recommend that an accounting manual be prepared including a description of fiscal activities and procedures, such as invoice paying, maintenance of subsidiary records, and payroll procedures. In addition, an expense allocation methodology should also be incorporated into the accounting manual.



Bruno & Tervalon LLP
4298 Elysian Fields Avenue
New Orleans, Louisiana 70122

November 30, 2010

Dear Sirs:

I am writing in response to the Independent Auditors Comments to Management stated November 17, 2010 and received by our office on November 29, 2010. These comments and suggestions were produced in connection with your office's familiarity with our financial infrastructure pursuant to an audit requested by IPNO's director. Because the comments identified some areas in which improvements and adjustments could be made, I wanted to be sure to respond and inform you of some changes being implemented which should address some the areas of concern.

Recommendation One: Segregation of Duties

IPNO is in the process of hiring a part-time bookkeeper to process and record daily financial transactions. Our current bookkeeper, who also serves as our accountant, will take on a purely accounting role from January 1, 2011, including performing monthly bank reconciliations. Additionally, neither the bookkeeper nor accountant will be able to sign checks from January 1, 2011. All non-reoccurring and pre-approved expenses over \$100 will need to be approved in advance by either the director or the managing director

Recommendation Two -- Reimbursement Documentation

IPNO currently has a policy of requiring all reimbursement requests to be accompanied by receipts or other supporting documentation. IPNO will reinforce this policy henceforth and begin to decline requests for reimbursement if there is no supporting documentation.

Recommendation Three -- Recording Salary Agreements and Raises in Writing

IPNO has begun to record all raises and salary rates in the personnel files of employees. All employees hired in future will have a written record including agreed salary rate and date of review. Employee files will be maintained in a locked cabinet and available for review by employee only upon request and in the presence of IPNO's director or managing director.

Recommendation Four -- Funds Held for Others

From January 1, 2011, IPNO's financial support of Resurrection After Exoneration (RAE) will be limited to a monthly contribution. No bills or expenses for RAE will be paid directly from IPNO's account and no funds will be held for RAE. VOTE is in the process of obtaining

independent 501(c)(3) status and will become independent in 2011. In the meantime, all VOTE funds will be properly recorded in a "Funds Held for Others" account and not in IPNO's account.

Recommendation Five – Allocation of Functional Expenses

The allocation methods have been reviewed and are being updated.

Recommendation Six – Access to Accounting Records and Data

Locked storage cabinets are now in use in the office. All financial information will be stored in locked cabinets immediately.

Recommendation Seven – Accounting Manual

IPNO's financial policies are currently written down in separate documents relating to: reimbursements, bank reconciliation, use of debit card, financial reporting, purchase of goods and signing checks. All of these documents will be combined into one overall financial policies document and updated by January 1, 2011.

IPNO greatly appreciates the advice and guidance provided by Bruno and Tervalon, LLC and hopes to continue to rely on your professional opinions as we implement some of the suggestions above and continue to update and improve our financial infrastructure.

Sincerely,



Emily Maw
Director